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SUBJECT: RWANDA CONGRESSIONALLY-MANDATED REPORT ON FISCAL
TRANSPARENCY

11. SUMMARY: President Paul Kagame continues to be a strong proponent of fiscal transparency within the Rwandan government (GOR). His government's strong anti-corruption stance, policies of financial openness and several significant financial reforms have been commended by the IMF as well as other multi-national organizations and donor missions. Following the dictates of the Organic Budget Law, each fall the budget for the upcoming year is presented to Parliament and, once passed, is published in both the official gazettes and online. While financial accountability has been sometimes hindered by a lack of capacity, the GOR is working hard to make improvements in the area. Kagame's mandate for fiscal transparency is supported by the large donor community who provide 50 percent of GOR's budget. The donor community's support for fiscal transparency is often twofold, mandating fiscal transparency in GOR budgetary accounts while funding independent projects to foster transparency and accountability throughout the GOR. End Summary.

12. Each fall the Finance Minister presents to the Parliament the budget for the upcoming fiscal year, which runs January - December. The GOR encourages members of Parliament, donors and individuals from the private sector to weigh in on the budget. Once approved by Parliament, the budget is then published in the official gazettes in Kinyarwanda, English and French. Since 2006, the GOR has also posted the budget online in both French and English on the Minister of Finance's website. The published budget is extensive and contains all GOR revenues and expenditures. The online posting allows users to view the budget breakouts by Economic Category, Agency, Programmes or Sector and Sub-Sector. Additionally, the 2008 Budget online posting contains budgetary estimates through 2010.

13. Beyond the budgetary process, President Kagame's strong commitment to fiscal responsibility has meant the GOR has been committed to working with multi-national

organizations in areas of fiscal reform, anti-corruption and good governance. The GOR continues to work the IMF to ensure that Rwanda is compliant with IMF standards and codes covering fiscal transparency. The IMF reports on Fiscal Transparency (2003), Banking Supervision (2005) and Monetary and Financial Policy (2005) proposed a number of recommendations that have been adopted by the government.

¶4. One of the most ambitious projects undertaken by the GOR is the Public Financial Management Reform Project (PFMRP) which started in the mid-2000s. Run by the Ministry of Finance, the project is designed to bring greater fiscal transparency and accountability through a multi-tiered approach to creating a more comprehensive financial structure and oversight. Under PFMRP, the GOR introduced a broad range of reforms including crafting new legal frameworks for the management of public finances, development of training programs, strengthening audit programs, and implementation of new standardizing financial software. In 2006, the first set of consolidated public accounts was published showing all consolidated public accounts was published showing all revenues, expenditures, financial assets and liabilities at a national level. In 2007, a new Organic Budget Law went into effect and the PFMRP began a four-year strategic plan with continued financial reforms planned through 2010.

¶5. While the GOR has a strong commitment to fiscal transparency and good intentions to bring this policy into all levels of the government, the lack of capacity sometimes hinders full financial accountability. In October 2007, IMF officials found that implementation of the Organic Budget law suffered from complicated regulations being implemented by ministries and agencies

that were understaffed and undertrained (see ref A). The GOR agreed with the IMF's assessment, and the two recently signed a MOU in February in which improved management and coordination of the budget is a benchmark goal of Rwanda's IMF Poverty Reduction and Growth Facility Program.

¶6. While the expenditures listed in the budget are accurate, recent internal audits have shown troubles in the management and oversight of the finances, due again to lack of capacity. The Office of the Auditor General for State Finances is a government agency that performs annual internal audits of the GOR's finances. In Oct 2006, the Auditor General reported that at least Rwf 3.6 billion was poorly accounted for in the 2005 budget cycle. The audit found, among other things, poor management and oversight practices contributed to the lack of accountability and called for increased training of accounting officers and board members. The GOR was quick to respond, launching a probe the following spring into forty-six government entities, resulting in several criminal prosecutions. In March 2008, the Auditor General testified before Parliament that Rwf 5.3 billion expenditures, out of a budget of Rwf 404.7 billion, were unsupported by sufficient documentation during the 2006 budget cycle. Reaction from Parliamentarians was swift and angry; further investigations will follow.

¶6. Many donors work to bring fiscal transparency to Rwanda. As with the IMF's Poverty Reduction and Growth Facility Program, there are often mandatory conditions to budgetary support that foster fiscal transparency and accountability. The British, German and Belgium governments, and the EU, IMF and World Bank all stress fiscal transparency and often participate in budgetary and financial policy meetings. The GOR has a strong relationship with the donor community and encourages collaboration. Donors also support independent programs that foster fiscal transparency and good governance, as the in case of the Swedish and Netherland governments who provide monetary and technical support to the Office of the Auditor General.

17. While not providing budgetary support, the USG also continues to work for fiscal transparency and support accountability and good governance in Rwanda. While USAID provides a range of programs that work to foster good governance, the Twubakane Decentralization and Health Program specifically focuses on increasing fiscal transparency and accountability as one of its main components. The Twubakane Program works to not only provide the district governments with direct funding for health care, but to also provide the districts with the opportunity to strengthen their budget and planning capabilities and demonstrate their management skills. An essential capacity building step within the program is to train district accountants in preparation and management of budgets as well as software to track funds.

18. Comment: The GOR and President Kagame are committed to fiscal transparency and accountability and are continuing to undertake numerous reforms to foster accountability and fight corruption. Although the government does Qand fight corruption. Although the government does struggle with a lack of capacity which can sometimes hinder its ambitious set of fiscal reforms, the GOR is proud of its good reputation for fiscal accountability and will continue to hard work to safeguard it.